

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name STAR TOWNSHIP	County ANTRIM
Fiscal Year End MARCH 31 2007	Opinion Date OCTOBER 25 2007	Date Audit Report Submitted to State NOVEMBER 21 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

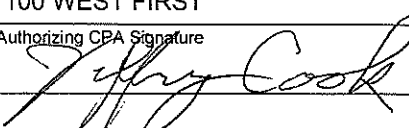
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE COOK MILLER & ALEXANDER LLP		Telephone Number 989-732-7515	
Street Address 100 WEST FIRST		City GAYLORD	State MI
Zip 49735			
Authorizing CPA Signature 	Printed Name JEFFREY COOK	License Number 1101011876	

**TOWNSHIP OF STAR**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

### **Township Officials**

Supervisor

Richard Steel

Clerk

Marilyn Rypkowski

Treasurer

Scott Brown

### **Trustees**

Kay Ringle

Cecile Woodward

## **Township of Star**

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**Keskin, Cook, Miller & Alexander, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, CPA  
Jeffrey B. Cook, CPA  
Richard W. Miller, CPA  
Ronald D. Alexander, CPA  
Curt A. Reppuhn, CPA

### **Independent Auditor's Report**

October 25, 2007

To the Township Board  
Star Township  
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and aggregate non-major fund activities of the Township of Star, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund and aggregate non-major fund activity of the Township of Star as of March 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Star Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on pages 23-26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Keskin, Cook, Miller & Alexander LLP*  
Keskin, Cook, Miller & Alexander, LLP

**TOWNSHIP OF STAR  
STATEMENT OF NET ASSETS  
MARCH 31, 2007**

	<b>PRIMARY GOVERNMENT</b>
<hr/>	
<b>ASSETS</b>	
Cash	\$ 293,975
Delinquent tax receivable	21,974
Capital assets, net of accumulated depreciation	125,143
	<hr/>
Total Assets	441,092
<b>LIABILITIES</b>	
Accounts payable	2,456
Long-term debt:	
Debt due within one year	16,597
Debt due in more than one year	40,771
	<hr/>
Total Liabilities	59,824
<b>NET ASSETS</b>	
Invested in capital assets - net of related debt	67,775
Restricted for:	
Fire protection	54,814
Road repair and maintenance	66,571
Ambulance service	-
Unrestricted	192,108
	<hr/>
Total Net Assets	\$ 381,268
	<hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF STAR  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007**

	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS &amp; CONTRI- BUTIONS</b>	<b>CAPITAL GRANTS &amp; CONTRI- BUTIONS</b>	<b>NET REVENUE (EXPENSES) &amp; CHANGE IN NET ASSETS PRIMARY GOVERNMENT</b>
<b>Functions / Programs</b>					
Governmental activities:					
General government	\$ (104,802)	\$ 1,026	\$ -	\$ -	\$ (103,776)
Public safety	(94,358)	-	-	-	(94,358)
Public works	(78,385)	-	-	-	(78,385)
Total governmental activities	<u>(277,545)</u>	<u>1,026</u>	<u>-</u>	<u>-</u>	<u>(276,519)</u>
<b>GENERAL REVENUES</b>					
Property taxes					158,466
State shared revenue (not restricted to a specific purpose)					54,718
Interest					7,430
Refunds, rebates, PTAF, and miscellaneous					29,783
Total general revenue					<u>250,397</u>
Change in net assets before transfers from other governments					(26,122)
Transfers from other governments					34,452
Change in net assets					8,330
Net assets - April 1, 2004					372,938
Net assets - March 31, 2005					<u>\$ 381,268</u>

See accompanying notes to financial statements.



**TOWNSHIP OF STAR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2007**

	<u>M A J O R F U N D S</u>			<u>NON-MAJOR FUND</u>	
	<u>GENERAL</u>	<u>ROAD</u>	<u>FIRE</u>	<u>AMBULANCE</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash	\$ 185,308	\$ 64,115	\$ 44,552	\$ -	\$ 293,975
Delinquent Taxes Receivable	6,800	2,456	10,262	2,456	21,974
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	192,108	66,571	54,814	2,456	315,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	-	-	-	2,456	2,456
<b>Fund Balances:</b>					
Undesignated	192,108	66,571	54,814	-	313,493
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 192,108	\$ 66,571	\$ 54,814	\$ 2,456	\$ 315,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF STAR  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007**

<b>TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)</b>	<b>\$ 313,493</b>
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Amounts reported for governmental activities in the Statement of  
Net Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	125,143
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(57,368)
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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS, PAGE 6)</b>	<b>\$ 381,268</b>
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See accompanying notes to financial statements

**TOWNSHIP OF STAR**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2007**

	<u>M A J O R F U N D S</u>			<u>NON-MAJOR FUND</u>	
	<u>GENERAL</u>	<u>ROAD</u>	<u>FIRE</u>	<u>AMBULANCE</u>	<u>TOTAL</u>
<b>Revenue</b>					
Property tax revenue	\$ 40,292	\$ 19,443	\$ 79,267	\$ 19,464	\$ 158,466
Miscellaneous revenue	2,205	-	-	-	2,205
State shared revenue	54,718	-	-	-	54,718
Interest	7,430	-	-	-	7,430
Charges for service	28,353	-	-	-	28,353
Refunds and rebates	251	-	-	-	251
Total Revenues	133,249	19,443	79,267	19,464	251,423
<b>Expenditures</b>					
Current:					
General government	101,938	-	-	-	101,938
Public safety	3,580	-	65,449	19,464	88,493
Public works	-	78,385	-	-	78,385
Debt service	-	-	23,522	-	23,522
Capital outlay	-	-	19,871	-	19,871
Total Expenditures	105,518	78,385	108,842	19,464	312,209
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	27,731	(58,942)	(29,575)	-	(60,786)
<b>Other Financing Sources</b>					
Contribution from other governments	-	34,452	-	-	34,452
Total Other Financing Sources	-	34,452	-	-	34,452
Excess (Deficiency) of Revenue and Other Sources over Expenditures	27,731	(24,490)	(29,575)	-	(26,334)
Fund Balance - Beginning of Year	164,377	91,061	84,389	-	339,827
Fund Balance - End of Year	\$ 192,108	\$ 66,571	\$ 54,814	\$ -	\$ 313,493

See accompanying notes to financial statements.

**TOWNSHIP OF STAR  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL ACTIVITIES  
(PAGE 10)**

\$ (26,334)

Amounts reported for governmental activities in the Statement of  
Activities (page 7) are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives

19,871

Depreciation expense is recorded in the statement of activities but not  
in the fund financial statements

(8,729)

Debt service payments are recorded as an expenditure in the governmental  
funds, but in the government-wide statements, debt service payments  
reduce the liability balance

23,522

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER  
STATEMENT OF ACTIVITIES - PAGE 7)**

\$ 8,330

See accompanying notes to financial statements

**TOWNSHIP OF STAR  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007**

	<b>ASSETS</b>	
Cash		\$ 250
		<hr/>
	<b>LIABILITIES</b>	
Due to others		250
		<hr/>
	<b>NET ASSETS</b>	
Fiduciary net assets		\$ -
		<hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 1: ENTITY**

The Township of Star is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including community enrichment and human services.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Star Township.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Star Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Star Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2004, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental funds:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, and other inter-governmental revenues.

*Road Fund* – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

*Fire Fund* – This fund is used to account for the financial activities of the Star Township Fire Department. Revenues are derived primarily from property taxes collected for fire protection services and the purchasing of equipment and grants.

The Township records the following non-major fund: Ambulance.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.



**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting

**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2006, are recorded as revenue in the current year. The Township's taxable value for the 2006 tax year totaled \$35,769,308.

The tax rates for the year ended March 31, 2007, were as follows:

<b>PURPOSE</b>	<b>RATE/ASSESSED VALUATION</b>
General	0.9466 mills per \$1,000
Fire (Voted)	1.9090 mills per \$1,000
Road (Voted)	1.0000 mills per \$1,000
Ambulance (Voted)	0.4811 mills per \$1,000

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 - 50 years
Computers and peripherals	5 years
Equipment	7 - 25 years

Land and construction in progress are not depreciated.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**TOWNSHIP OF STAR  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

**NOTE 3: CASH AND INVESTMENTS**

Cash consists of deposit accounts at area financial institutions.

In order to maximize interest earnings, the Township combines the General, Road, and Ambulance Fund's cash into one common account. The respective balances at March 31, 2007 are as follows:

	Carrying Amount
General	\$ 185,308
Road	64,115
Ambulance	-
Total	<u>\$ 249,423</u>

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	Bank Balance	1	Category 2	3	Carrying Amount
Common Account	\$ 249,423	\$100,000	\$ -	\$ 149,423	\$ 249,423
Fire Account	44,552	44,552	-	-	44,552
Total	<u>\$ 293,975</u>	<u>\$144,552</u>	<u>\$ -</u>	<u>\$ 149,423</u>	<u>\$ 293,975</u>
Trust & Agency	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250</u>

**TOWNSHIP OF STAR**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2007**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity of the Township's activities was as follows:

	Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
Governmental Activities				
Capital assets being depreciated:				
Building and grounds	\$ 71,000	\$ -	\$ -	\$ 71,000
Equipment	111,318	-	-	111,318
Subtotal	182,318	-	-	182,318
Accumulated depreciation				
Building and grounds	15,873	2,069	-	17,942
Equipment	32,573	6,660	-	39,233
Subtotal	48,446	8,729	-	57,175
Net capital assets	133,872	(8,729)	-	125,143

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 2,069
Fire	6,660
Total	<u>\$ 8,729</u>

**NOTE 5: LONG-TERM DEBT**

The Township is obligated for the following debt instruments:

**Fire Hall Loan** – In November 2003, the Township entered into an installment purchase contract with First National Bank of Gaylord (now known as Independent Bank) for \$40,000. Payments of \$724.83, including interest at 3.29%, are due monthly through November 2008. The payments are made by the general fund and reimbursed by the fire fund.

**Pumper Fire Truck** - In January 2007, the Township entered into an installment purchase contract with First National Bank of Gaylord (now known as Independent Bank) for \$60,000. Payments of \$829.83, including interest at 4.35%, are due monthly through January 2012. The payments are made by the general fund and reimbursed by the fire fund.

**TOWNSHIP OF STAR**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2007**

**NOTE 5: LONG-TERM DEBT (CONTINUED)**

The following is a summary of the debt outstanding of the Township as of March 31, 2007.

Governmental Activities:	Balance March 31, 2007
Fire hall loan	\$ 14,031
Pumper truck loan	43,337
Total	<u>\$ 57,368</u>

The annual principal and interest requirements for the years ended April 1, 2008 through maturity for all debts outstanding as of March 31, 2015 are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	16,598	2,058	18,656
2009	14,270	1,426	15,696
2010	8,983	975	9,958
2011 - 2015	17,517	739	18,256
Total	<u>\$ 57,368</u>	<u>\$ 5,198</u>	<u>\$ 62,566</u>

**NOTE 6: INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF STAR**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Revenue</b>				
Property taxes	\$ 30,172	\$ 30,172	\$ 40,292	\$ 10,120
State shared revenue	45,000	45,000	54,718	9,718
Charges for services	3,000	3,000	28,353	25,353
Interest	900	900	7,430	6,530
Refunds & rebates	600	600	251	(349)
Miscellaneous	1,800	1,800	2,205	405
<b>Total Revenue</b>	<b>81,472</b>	<b>81,472</b>	<b>133,249</b>	<b>51,777</b>
<b>Expenditures</b>				
<b>General Government</b>				
Wages and fringes	50,000	50,000	-	(50,000)
Audit	2,250	2,250	470	(1,780)
Community services	4,500	4,500	3,932	(568)
Insurance	-	-	5,616	5,616
Street lights	4,000	4,000	3,580	(420)
Attorney fees	-	-	12,767	12,767
Data Processing	9,000	9,000	4,880	(4,120)
Miscellaneous	14,445	14,445	10,117	(4,328)
Contingency	108,747	108,747	663	(108,084)
<b>Total General Government</b>	<b>192,942</b>	<b>192,942</b>	<b>42,025</b>	<b>(150,917)</b>
<b>Township Supervisor</b>				
Wages	1,000	1,000	7,200	6,200
Miscellaneous	800	800	81	(719)
<b>Total Township Supervisor</b>	<b>1,800</b>	<b>1,800</b>	<b>7,281</b>	<b>5,481</b>
<b>Election Board</b>				
Elections expenses	2,000	2,000	1,801	(199)
<b>Township Assessor</b>				
Wages	-	2,000	13,795	11,795
Miscellaneous	4,200	4,200	1,561	(2,639)
<b>Total Township Assessor</b>	<b>4,200</b>	<b>6,200</b>	<b>15,356</b>	<b>9,156</b>
<b>Township Clerk</b>				
Wages	-	-	8,100	8,100
Miscellaneous	950	950	1,658	708
<b>Total Township Clerk</b>	<b>950</b>	<b>950</b>	<b>9,758</b>	<b>8,808</b>

**TOWNSHIP OF STAR**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Township Treasurer</b>				
Wages	7,000	7,100	11,000	3,900
Miscellaneous	7,500	7,500	8,959	1,459
Total Township Treasurer	14,500	14,600	19,959	5,359
<b>Township Cemetery</b>				
Wages	15,000	15,000	3,380	(11,620)
Miscellaneous	2,300	2,300	1,529	(771)
Total Township Cemetery	17,300	17,300	4,909	(12,391)
<b>Township Hall</b>				
Building and grounds expenditures	2,500	2,500	4,429	1,929
<b>Total Expenditures</b>	236,192	238,292	105,518	(132,774)
Excess (Deficiency) of Revenue over Expenditures	(154,720)	(156,820)	27,731	184,551
<b>Fund Balance - Beginning of Year</b>	164,377	164,377	164,377	-
<b>Fund Balance - End of Year</b>	9,657	7,557	192,108	184,551



**TOWNSHIP OF STAR**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD FUND**  
**YEAR ENDED MARCH 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Revenue</b>				
Property tax revenue	\$ 44,300	\$ 44,300	\$ 19,443	\$ (24,857)
Contribution from other governments	-	-	34,452	34,452
Total Revenue	44,300	44,300	53,895	9,595
<b>Expenditures</b>				
Road maintenance	72,000	72,000	78,385	6,385
Excess (Deficiency) of Revenue over Expenditures	(27,700)	(27,700)	(24,490)	3,210
<b>Fund Balance - Beginning of Year</b>	91,061	91,061	91,061	-
<b>Fund Balance - End of Year</b>	63,361	63,361	66,571	3,210

**TOWNSHIP OF STAR**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FIRE FUND**  
**YEAR ENDED MARCH 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Revenue</b>				
Property tax revenue	\$ 60,000	\$ 60,000	\$ 79,267	\$ 19,267
<b>Expenditures</b>				
Wages	4,900	4,900	4,900	-
Supplies	3,000	3,000	2,667	(333)
Fire fighting supplies	20,000	20,000	17,289	(2,711)
Utilities	7,000	7,000	6,883	(117)
Repairs and maintenance	15,000	15,000	14,456	(544)
Gasoline	6,000	6,000	5,986	(14)
Insurance	5,000	5,000	4,774	(226)
Education and training	5,000	5,000	4,450	(550)
Capital outlay	20,000	20,000	19,871	(129)
Miscellaneous expense	6,100	6,100	4,044	(2,056)
Debt service	24,000	24,000	23,522	(478)
Total Expenditures	116,000	116,000	108,842	(7,158)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(56,000)	(56,000)	(29,575)	26,425
<b>Fund Balance - Beginning of Year</b>	84,389	84,389	84,389	-
<b>Fund Balance - End of Year</b>	28,389	28,389	54,814	26,425

October 25, 2007

To the Township Board  
Township of Star, Antrim County

We have audited the financial statements of Star Township for the year ended March 31, 2007, and have issued our report thereon dated October 25, 2007. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 3, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Star Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Star Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

We noted the recording of opening cash balances as revenue. Additionally we requested the accounting file from the Fire Board and received only reports produced by the software. Training in the use of the Township's software is needed.

### **Comments and Recommendations**

In planning and performing our audit of the financial statements of Star Township, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comment and recommendation should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- Bank reconciliations that reconcile the bank balance to the general ledger cash balance should be completed monthly. Bank reconciliations should be prepared timely (within 30 days of month-end) and reviewed by somebody independent of the cash receipt and disbursement functions.

Other comments and recommendations:

- The State of Michigan requires all units of government to comply with the State's Uniform Chart of Accounts. During the year ended March 31, 2007, neither the Township, nor the

Fire Board complied with the provisions of the Uniform Chart of Accounts. We have provided guidance and assistance to the Township Clerk to change the Township's account structure to comply with the Uniform Chart of Accounts. We recommend that the general ledger structure of the Township and the Fire Board be changed to comply with the State's requirements. Similarly, the line-item budget approved by the Township Board and the Fire Board should be organized to coincide with the Chart of Accounts. We noted progress in this area. The Township appears to have transposed the activity number and the account number. This is however the second time we have noted non-compliance with the chart of accounts.

- During our audit procedures related to the Star Township Fire Board, we noted numerous instances in which original invoices for various goods and services received and paid for by the Fire Board were unavailable for our review. It is imperative that all source documents, including but not limited to invoices and receipts, be retained in an organized manner for a minimum of 5 years following the end of the year.
- We noted during the year ended March 31, 2007, that the Township purchased hams for all volunteer firefighters. The hams were purchased with general fund money. This purchase constitutes an illegal expenditure for a State of Michigan unit of government. Township funds cannot be expended on gifts or contributions not specifically authorized by state statute. Other purchase (from GFS and others) also appear to be in violation of state statutes. This is the second time we have commented on this matter.
- It appears fire fighting personnel who are employees of the Township were paid for services to the Township and such payment(s) were not included on the employee's W-2 forms. Once a person is an employee, all payments in his capacity as an employee are to be reported on the appropriate Federal and State forms.

We hope you find the above comments and recommendations useful. We are available to assist you in implementing these items should the need arise.

This information is intended solely for the information of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Keskin, Cook, Miller & Alexander LLP